granite state
telephone

600 South Stark Highway
PO Box 87
South Weare, New Hampshire 03281

603.529.9911
[fax] 603.529.1020
www.GraniteStateTelephone.com

October 21, 2013

VIA ELECTRONIC FILING

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, SW
Washington, DC 20554

Re: WC Docket No. 10-90, WC Docket No. 11-42
2013 ETC Annual Report of Granite State Telephone, Inc.
Study Area Code 120039

Dear Ms. Dortch:

Granite State Telephone, Inc. hereby files the attached FCC Form 481 ETC annual reporting information pursuant to sections 54.313 and 54.422 of the Commission's rules.[1] This Form 481 Report has been submitted to the Universal Service Administrative Company through its E-File System, and was successfully certified on October 14, 2013.

Please direct any questions regarding the filing to the undersigned.

Sincerely,

Steven Schilling
Controller

---

[1] 47 C.F.R. §§ 54.313, 54.422.

Granite State Telephone, Inc.
SAC 120039
FCC Form 481
Carrier Annual Reporting Data Collection Form

FCC Form 481 - Carrier Annual Reporting Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	120039
<015>	Study Area Name	GRANITE STATE TEL
<020>	Program Year	2014
<030>	Contact Name: Person USAC should contact with questions about this data	Steven P. Schilling
<035>	Contact Telephone Number: Number of the person identified in data line <030>	6035296258
<039>	Contact Email Address: Email of the person identified in data line <030>	sschilling@gsn.net

ANNUAL REPORTING FOR ALL CARRIERS				54.313 Completion Required	54.422 Completion Required
				(check box when complete)	
<100>	Service Quality Improvement Reporting		(complete attached worksheet)	☐	▨
<200>	Outage Reporting (voice)		(complete attached worksheet)	✓	✓
<210>		☐ <-- check box if no outages to report			
<300>	Unfulfilled Service Requests (voice)	0		✓	▨
<310>	Detail on Attempts (voice)		(attach descriptive document)	☐	▨
<320>	Unfulfilled Service Requests (broadband)			☐	▨
<330>	Detail on Attempts (broadband)		(attach descriptive document)	☐	▨
<400>	Number of Complaints per 1,000 customers (voice)			✓	✓
<410>	Fixed	0.48			
<420>	Mobile				
<430>	Number of Complaints per 1,000 customers (broadband)			☐	▨
<440>	Fixed				
<450>	Mobile				
<500>	Service Quality Standards & Consumer Protection Rules Compliance		(check to indicate certification)	✓	✓
<510>	120039nh510		(attached descriptive document)	✓	✓
<600>	Functionality in Emergency Situations		(check to indicate certification)	✓	✓
<610>	120039nh610		(attached descriptive document)	✓	✓
<700>	Company Price Offerings (voice)		(complete attached worksheet)	☐	▨
<710>	Company Price Offerings (broadband)		(complete attached worksheet)	☐	▨
<800>	Operating Companies and Affiliates		(complete attached worksheet)	✓	✓
<900>	Tribal Land Offerings (Y/N)?	○ ●	(if yes, complete attached worksheet)	☐	▨
<1000>	Voice Services Rate Comparability		(check to indicate certification)	☐	▨
<1010>			(attach descriptive document)	☐	▨
<1100>	Terrestrial Backhaul (Y/N)?	● ○	(if not, check to indicate certification)	☐	▨
<1110>			(complete attached worksheet)	☐	▨
<1200>	Terms and Condition for Lifeline Customers		(complete attached worksheet)	▨	✓

Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet
Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

<2000>	(check to indicate certification)	☐	▨
<2005>	(complete attached worksheet)	☐	▨

Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet

<3000>	(check to indicate certification)	✓	▨
<3005>	(complete attached worksheet)	✓	▨

(100) Service Quality Improvement Reporting
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	120039
<015>	Study Area Name	GRANITE STATE TEL
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Steven P. Schilling
<035>	Contact Telephone Number - Number of person identified in data line <030>	6035296258
<039>	Contact Email Address - Email Address of person identified in data line <030>	sschilling@gsn.net

<110> Has your company received its ETC certification from the FCC? (yes / no) ○ ○

<111> If your answer to Line <110> is yes, do you have an existing §54.202(a) "5 year plan" filed with the FCC? (yes / no) ○ ○

If your answer to Line <111> is yes, then you are required to file a progress report, on line <112> delineating the status of your company's existing § 54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of voice telephony service.

<112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which only receives frozen support, your progress report is only required to address voice telephony service.

Name of Attached Document (.pdf)

Please check these boxes below to confirm that the attached PDF, on line 112, contains a progress report on its five-year service quality improvement plan pursuant to § 54.202(a). The information shall be submitted at the wire center level or census block as appropriate.

<113> Maps detailing progress towards meeting plan targets ☐
<114> Report how much universal service (USF) support was received ☐
<115> How (USF) was used to improve service quality ☐
<116> How (USF)was used to improve service coverage ☐
<117> How (USF) was used to improve service capacity ☐
<118> Provide an explanation of network improvement targets not met in the prior calendar year. ☐

(200) Service Outage Reporting (Voice)
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010> Study Area Code 120039
<015> Study Area Name GRANITE STATE TEL
<020> Program Year 2014
<030> Contact Name - Person USAC should contact regarding this data Steven P. Schilling
<035> Contact Telephone Number - Number of person identified in data line <030> 6035296258
<039> Contact Email Address - Email Address of person identified in data line <030> sschilling@gsn.net

<220>	<a>	<b1>	<b2>	<b3>	<b4>	<c1>	<c2>	<d>	<e>	<f>	<g>	<h>
	NORS Reference Number	Outage Start Date	Outage Start Time	Outage End Date	Outage End Time	Number of Customers Affected	Total Number of Customers	911 Facilities Affected (Yes / No)	Service Outage Description (Check all that apply)	Did This Outage Affect Multiple Study Areas (Yes / No)	Service Outage Resolution	Preventative Procedures

-- See attached worksheet --

<010>	Study Area Code	120039
<015>	Study Area Name	GRANITE STATE TEL
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Steven P. Schilling
<035>	Contact Telephone Number - Number of person identified in data line <030>	6035296258
<039>	Contact Email Address - Email Address of person identified in data line <030>	sschilling@gsn.net

<701>	Residential Local Service Charge Effective Date	1/1/2013
<702>	Single State-wide Residential Local Service Charge	

<703>

State	Exchange (ILEC)	SAC (CETC)	Rate Type	Residential Local Service Rate	State Subscriber Line Charge	State Universal Service Fee	Mandatory Extended Area Service Charge	Total per line Rates and Fees
				-- See attached worksheet				
				--				

(710) Broadband Price Offerings
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	120039
<015>	Study Area Name	GRANITE STATE TEL
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Steven P. Schilling
<035>	Contact Telephone Number - Number of person identified in data line <030>	6035296258
<039>	Contact Email Address - Email Address of person identified in data line <030>	sschilling@gsn.net

<711>

State	Exchange (ILEC)	Residential Rate	State Regulated Fees	Total Rate and Fees	Broadband Service - Download Speed (Mbps)	Broadband Service - Upload Speed (Mbps)	Usage Allowance (GB)	Usage Allowance Action Taken When Limit Reached {*select*}

-- See attached worksheet --

(800) Operating Companies
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	120039
<015>	Study Area Name	GRANITE STATE TEL
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Steven P. Schilling
<035>	Contact Telephone Number - Number of person identified in data line <030>	6035296258
<039>	Contact Email Address - Email Address of person identified in data line <030>	sschilling@gsn.net

<810>	Reporting Carrier	Granite State Telephone, Inc.
<811>	Holding Company	Yankee Telecom, Inc.
<812>	Operating Company	Granite State Telephone, Inc.

<813>

Affiliates	SAC	Doing Business As Company or Brand Designation
	-- See attached worksheet --	

[900] Tribal Lands Reporting
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	120039
<015>	Study Area Name	GRANITE STATE TEL
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Steven P. Schilling
<035>	Contact Telephone Number - Number of person identified in data line <030>	6035296258
<039>	Contact Email Address - Email Address of person identified in data line <030>	sschilling@gsn.net

<910> Tribal Land(s) on which ETC Serves

<920> Tribal Government Engagement Obligation

Name of Attached Document (.pdf)

If your company serves Tribal lands, please select (Yes,No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

		Select (Yes,No, NA)
<921>	Needs assessment and deployment planning with a focus on Tribal community anchor institutions;	
<922>	Feasibility and sustainability planning;	
<923>	Marketing services in a culturally sensitive manner;	
<924>	Compliance with Rights of way processes	
<925>	Compliance with Land Use permitting requirements	
<926>	Compliance with Facilities Siting rules	
<927>	Compliance with Environmental Review processes	
<928>	Compliance with Cultural Preservation review processes	
<929>	Compliance with Tribal Business and Licensing requirements.	

(1100) No Terrestrial Backhaul Reporting
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	120039
<015>	Study Area Name	GRANITE STATE TEL
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Steven P. Schilling
<035>	Contact Telephone Number - Number of person identified in data line <030>	6035296258
<039>	Contact Email Address - Email Address of person identified in data line <030>	sschilling@gsn.net

<1120> Please check this box to confirm no terrestrial backhaul options exist within the supported area pursuant to § 54.313(G) ☐

<1130> Please check this box to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(G) ☐

[1200] Terms and Condition for Lifeline Customers
Lifeline
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	120039
<015>	Study Area Name	GRANITE STATE TEL
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Steven P. Schilling
<035>	Contact Telephone Number - Number of person identified in data line <030>	6035296258
<039>	Contact Email Address - Email Address of person identified in data line <030>	sschilling@gsn.net

<1210> Terms & Conditions of Voice Telephony Lifeline Plans 120039ah1200
Name of attached document (.pdf)

<1220> Link to Public Website HTTP ____________________

"Please check these boxes below to confirm that the attached PDF, on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

<1221> Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, ☑

<1222> Details on the number of minutes provided as part of the plan, ☑

<1223> Additional charges for toll calls, and rates for each such plan. ☑

(2000) Price Cap Carrier Additional Documentation FCC Form 481
Data Collection Form OMB Control No. 3060-0986/OMB Control No. 3060-0819
Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers July 2013

<010>	Study Area Code	120039
<015>	Study Area Name	GRANITE STATE TEL
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Steven P. Schilling
<035>	Contact Telephone Number - Number of person identified in data line <030>	6035296253
<039>	Contact Email Address - Email Address of person identified in data line <030>	sschilling@gsn.net

CHECK the boxes below to note compliance as a recipient of Incremental Connect America Phase I support, frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e) the information reported on this form and in the documents attached below is accurate.

	Incremental Connect America Phase I reporting	
<2010>	2nd Year Certification (47 CFR § 54.313(b)(1))	☐
<2011>	3rd Year Certification (47 CFR § 54.313(b)(2))	☐
	Price Cap Carrier Receiving Frozen Support Certification (47 CFR § 54.312(a))	
<2012>	2013 Frozen Support Certification	☐
<2013>	2014 Frozen Support Certification	☐
<2014>	2015 Frozen Support Certification	☐
<2015>	2016 and future Frozen Support Certification	☐
	Price Cap Carrier Connect America ICC Support (47 CFR § 54.313(d))	
<2016>	Certification Support Used to Build Broadband	☐
	Connect America Phase II Reporting (47 CFR § 54.313(e))	
<2017>	3rd year Broadband Service Certification	☐
<2018>	5th year Broadband Service Certification	☐
<2019>	Interim Progress Certification	☐
<2020>	Please check the box to confirm that the attached PDF, on line 2021, contains the required information pursuant to § 54.313 (e)(3)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.	☐
<2021>	Interim Progress Community Anchor Institutions — Name of Attached Document Listing Required Information	______________

(3000) Rate Of Return Carrier Additional Documentation
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	120039
<015>	Study Area Name	GRANITE STATE TEL
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Steven P. Schilling
<035>	Contact Telephone Number - Number of person identified in data line <030>	6035296258
<039>	Contact Email Address - Email Address of person identified in data line <030>	sschilling@gsn.net

CHECK the boxes below to note compliance on its five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

Progress Report on 5 Year Plan

(3010) Milestone Certification (47 CFR § 54.313(f)(1)(i)) — Please check this box to confirm that the attached PDF, on line 3012, — Name of Attached Document Listing Required Information ☐

(3011) contains the required information pursuant to § 54.313 (f)(1)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.

(3012) Community Anchor Institutions (47 CFR § 54.313(f)(1)(ii)) — Name of Attached Document Listing Required Information

(3013) Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2)) ☑ (Yes/No)

(3014) If yes, does your company file the RUS annual report ☐ (Yes/No)

Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:

(3015) Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers) ☐

(3016) PDF of Balance Sheet, Income Statement and Statement of Cash Flows ☐

(3017) If the response is yes on line 3014, attach your company's RUS annual report and all required documentation — Name of Attached Document Listing Required Information

(3018) If the response is no on line 3014, is your company audited? ☑ (Yes/No)

If the response is yes on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains :

(3019) Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications ☑

(3020) PDF of Balance Sheet, Income Statement and Statement of Cash Flows ☐

(3021) Management letter issued by the independent certified public accountant that performed the company's financial audit. ☐

If the response is no on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:

(3022) Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers. ☐

(3023) Underlying information subjected to a review by an independent certified public accountant ☐

(3024) Underlying information subjected to an officer certification. ☐

(3025) PDF of Balance Sheet, Income Statement and Statement of Cash Flows ☐

(3026) Attach the worksheet listing required information — Name of Attached Document Listing Required Information: 120039nh3026

Certification - Reporting Carrier
Data Collection Form

FCC Form 481
OMB Control [illegible] No. 3060-0819
July 2013

<010> Study Area Code 120039

<015> Study Area Name GRANITE STATE TEL

<020> Program Year 2014

<030> Contact Name - Person USAC should contact regarding this data Steven P. Schilling

<035> Contact Telephone Number - Number of person identified in data line <030> 6035296258

<039> Contact Email Address - Email Address of person identified in data line <030> sschilling@gsn.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients

I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.

Name of Reporting Carrier: GRANITE STATE TEL

Signature of Authorized Officer: CERTIFIED ONLINE Date 10/14/2013

Printed name of Authorized Officer: Steven Schilling

Title or position of Authorized Officer: Controller

Telephone number of Authorized Officer: 6035296233

Study Area Code of Reporting Carrier: 120039 Filing Due Date for this form: 10/15/2013

Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.

Certification: Agent / Carrier
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	120039
<015>	Study Area Name	GRANITE STATE TEL
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Steven P. Schilling
<035>	Contact Telephone Number - Number of person identified in data line <030>	6035296258
<039>	Contact Email Address - Email Address of person identified in data line <030>	sschilling@gsn.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier

I certify that (Name of Agent)____________________ is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.

Name of Authorized Agent:

Name of Reporting Carrier:

Signature of Authorized Officer: Date:

Printed name of Authorized Officer:

Title or position of Authorized Officer:

Telephone number of Authorized Officer:

Study Area Code of Reporting Carrier: Filing Due Date for this form:

Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier

I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.

Name of Reporting Carrier:

Name of Authorized Agent or Employee of Agent:

Signature of Authorized Agent or Employee of Agent: Date:

Printed name of Authorized Agent or Employee of Agent:

Title or position of Authorized Agent or Employee of Agent

Telephone number of Authorized Agent or Employee of Agent:

Study Area Code of Reporting Carrier: Filing Due Date for this form:

Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.

Attachments

Granite State Telephone, Inc.
SAC 120039
FCC Form 481
Line 220 – Service Outage Reporting (Voice)

(200) Service Outage Reporting (Voice)
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010> Study Area Code 120039
<015> Study Area Name GRANITE STATE TEL
<020> Program Year 2014
<030> Contact Name - Person USAC should contact regarding this data Steven P. Schilling
<035> Contact Telephone Number - Number of person identified in data line <030> 6035296258
<039> Contact Email Address - Email Address of person identified in data line <030> sschilling@gsn.net
<220>

<a>	<b1>	<b2>	<b3>	<b4>	<c1>	<c2>	<d>	<e>	<f>	<g>	<h>
NORS Reference Number	Outage Start Date	Outage Start Time	Outage End Date	Outage End Time	Number of Customers Affected	Total Number of Customers	911 Facilities Affected (Yes / No)	Service Outage Description (Check all that apply)	Did This Outage Affect Multiple Study Areas (Yes / No)	Service Outage Resolution	Preventative Procedures
	4/26/2012	05:00	04/26/2012	19:30	946	7308	Yes	Wireline (including cable) Voice (non-VoIP), Other: Washington switch lost synchronization	No	Source of issue was Fairpoint unscheduled off-hour maintenance to GST circuits. they resolved issue	Fairpoint Communications to notify us before performing maintenance on GST circuits

Granite State Telephone, Inc.
SAC 120039
FCC Form 481
Line 510 – Service Quality Standards and Consumer Protection Rules

Certification

1. Demonstration of complying with applicable service quality standards and consumer protection rules:

In establishing this certification in its *2005 ETC Order*,[1] the FCC found that an ETC must make "a specific commitment to objective measures to protect consumers."[2] The Commission found that for wireless ETCs, compliance with CTIA's Consumer Code for Wireless Service would satisfy this requirement" and that the sufficiency of other commitments would be considered on a case-by-case basis.[3] In this context, the FCC stated, "to the extent a wireline or wireless ETC applicant is subject to consumer protection obligations under state law, compliance with such laws may meet our requirement."[4]

Granite State Telephone, Inc. ("Company") hereby certifies that it is complying with applicable service quality standards and consumer protection rules. The Company is subject to consumer protection obligations under state law. These obligations include, but are not limited to, the following: (1) filing a Local Exchange Tariff pursuant to the requirements of the New Hampshire Public Utilities Commission ("NHPUC") which disclose rates, terms and conditions of service to customers; (2) adherence to Chapter 400 Rules for Telecommunications under the New Hampshire Code of Administration Rules

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[1] *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, FCC 05-46 (rel. Mar. 17, 2005) ("*2005 ETC Order*").

[2] *Id.* at para. 28.

[3] *Id.* The FCC noted that under the CTIA Consumer Code, wireless carriers agree to: "(1) disclose rates and terms of service to customers; (2) make available maps showing where service is generally available; (3) provide contract terms to customers and confirm changes in service; (4) allow a trial period for new service; (5) provide specific disclosures in advertising; (6) separately identify carrier charges from taxes on billing statements; (7) provide customers the right to terminate service for changes to contract terms; (8) provide ready access to customer service; (9) promptly respond to consumer inquiries and complaints received from government agencies; and (10) abide by policies for protection of consumer privacy." *Id.* at n. 71.

[4] *Id.* at n. 72.

as promulgated by the NHPUC that among other things, deals with quality of service and consumer protection requirements; (3) truth-in-billing requirements; and (4) CPNI, Red Flag Rules and other applicable federal and state requirements governing the protection of customers' privacy.

Granite State Telephone, Inc.
SAC 120039
FCC Form 481
Line 610 – Network Functionality in Emergency Situations

Certification

1. Ability to Function in Emergency Situations

Granite State Telephone, Inc. ("Company") hereby certifies that it is able to function in emergency situations as set forth in §54.201(a)(2).[1] The Company's network is designed to remain functional in emergency situations without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations as required by Section 54.202(a)(2). The Company can change call routing translations as needed to reroute traffic around damaged facilities. Changing call routing translations will also allow the Company to manage traffic spikes throughout its network, as emergency situations require.

Specifically, each central office building is supplied with standby generators and battery back-up that enable the central office to keep running until commercial power is restored so long as fuel is available, or until system changes are made to reroute traffic. The Company has battery backup at all office locations and in its electronic equipment sites. Length of run time is determined by the equipment serving the area and the number of customers working out of the equipment. Generators are installed at all Central Office locations. They will continue to run as long as the Company has access to fuel.

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[1] Section 54.201(a)(2) requires ETCs that are designated by the Commission to "demonstrate its ability to remain functional in emergency situations, including a demonstration that it has a reasonable amount of back-up power to ensure functionality without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations."

Granite State Telephone, Inc.
SAC 120039
FCC Form 481
Line 800 – Operating Companies and Affiliates

(800) Operating Companies
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	120039
<015>	Study Area Name	GRANITE STATE TEL
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Steven P. Schilling
<035>	Contact Telephone Number - Number of person identified in data line <030>	6035296258
<039>	Contact Email Address - Email Address of person identified in data line <030>	sschilling@gsn.net
<810>	Reporting Carrier	Granite State Telephone, Inc.
<811>	Holding Company	Yankee Telecom, Inc.
<812>	Operating Company	Granite State Telephone, Inc.

<813>

Affiliates	**SAC**	**Doing Business As Company or Brand Designation**
Granite State Long Distance, Inc.		Granite State Communications

Granite State Telephone, Inc.
SAC 120039
FCC Form 481
Line 1200 – Terms and Conditions for Lifeline Customers

N.H.P.U.C. No. 8 – Telephone

GRANITE STATE TELEPHONE, INC.

SUPPLEMENT No. 2

TARIFF

for

TELEPHONE SERVICE

in

THE STATE OF NEW HAMPSHIRE

Docket No. DT 05-133 Order No. 24,621

RECEIVED
JUN 29 2006
N.H. PUBLIC
UTILITIES
COMMISSION

Dated: June 7, 2006

Issued by: Susan Rand King

Susan Rand King

Title: President

TABLE OF CONTENTS

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XIX. LIFELINE PROGRAM

A. Lifeline is an assistance program which provides for qualifying low-income customers a monthly credit toward one residential network access line per household at the customer's principal place of residence.

B. The applicant must participate in at least one of the following assistance programs:

Medicaid
Food Stamps
Supplemental Security Income (SSI)
Federal Public Housing Assistance
Low Income Home Energy Assistance
Temporary Assistance for Needy Families (TANF)
National School Lunch Program
Income at or below 135% of the Federally Recognized Poverty Guidelines

The applicant must, at the time of application, certify under penalty of perjury receipt of benefits from at least one of the above assistance programs, identify the program(s) from which the customer receives assistance, and agree to notify the Company when the customer ceases to receive such assistance.

C. Eligible customers are those that meet the following criteria:

1. Must be receiving aid from at least one of the assistance programs listed in XIX.B. above.

2. Must be billed party for the residential network access line to which the credit is to be applied.

D. Customers may be required to provide proof of receipt of benefits from at least one of the above assistance programs for continued eligibility in the Program on an annual basis.

E. The credit to the network access line provided by this program is applicable only to the monthly rate of one residential network access line at the customer's principal place of residence. The credit will equal $2.75 or the tariffed rate for the network access line to which the credit will apply, whichever is less.

F. Eligible customers receiving the Lifeline credit will not be charged the End User Common Line Charge (EUCL) as per NECA Tariff FCC - No. 5, 4.6.7.(A).

G. The service of an eligible customer receiving the Lifeline credit may not be disconnected for non-payment of toll charges unless a waiver of this provision is granted by the Commission.

H. An eligible customer who elected toll blocking shall not be required to provide a service deposit in order to initiate the Lifeline credit.

XX. PROMOTIONAL AND MARKET TRIAL PROGRAMS

A. Promotional and market trial programs may be introduced from time to time, as market conditions warrant, following advance notifications to the Public Utilities Commission.

B. Such programs may include, but are not limited to, discounts, reductions, increases or waivers of the appropriate rates and/or charges for the services provided or trial rates and/or charges for potential service offerings.

C. The time periods, locations, tracking plans and terms and conditions applicable to each promotional or market trial program are provided to the Commission at the time of notification.

LOCAL EXCHANGE SERVICE

I. CHESTER EXCHANGE

A. BASE RATE AREA

1. The Base Rate Area for the Chester Exchange is the exchange boundary. An exchange area map is filed as a part of this tariff, Section 6, Map 1.

2. Within the base rate area the following services are furnished at base rates:
   Unlimited
   Low-Use Measured

II. WEARE EXCHANGE

A. BASE RATE AREA

1. The Base Rate Area for the Weare Exchange is the exchange boundary. An exchange area map is filed as a part of this tariff, Section 6, Map 2.

2. Within the base rate area the following services are furnished at base rates:
   Unlimited
   Low-Use Measured

III. HILLSBORO UPPER VILLAGE EXCHANGE

A. BASE RATE AREA

1. The Base Rate Area for the Hillsboro Upper Village Exchange is the exchange boundary. An exchange area map is filed as a part of this tariff, Section 6, Map 3.

2. Within the base rate area the following services are furnished at base rates:
   Unlimited
   Low-Use Measured

IV. WASHINGTON EXCHANGE

A. BASE RATE AREA

1. The Base Rate Area for the Washington Exchange is the exchange boundary. An exchange area map is filed as a part of this tariff, Section 6, Map 3.

2. Within the base rate area the following services are furnished at base rates:
   Unlimited
   Low-Use Measured

LOCAL EXCHANGE SERVICE

V. MONTHLY EXCHANGE ACCESS LINE RATES

A. Chester Exchange

Class of Service	Business	Residence	
1-Party Line	$31.36	$15.71	(C)
Low-Use Measured Residence	N/A	5.96	(C)

B. Weare Exchange

Class of Service	Business	Residence	
1-Party Line	$31.36	$15.71	(C)
Low-Use Measured Residence	N/A	5.96	(C)

C. Hillsboro Upper Village Exchange

Class of Service	Business	Residence	
1-Party Line	$26.48	$13.27	(C)
Low-Use Measured Residence	N/A	5.96	(C)

D. Washington Exchange

Class of Service	Business	Residence	
1-Party Line	$26.48	$13.27	(C)
Low-Use Measured Residence	N/A	5.96	(C)

These Local Exchange Services include a Telecommunications Relay Service fee of $0.06 (C)

These Local Exchange Services include the provision of Push-button Service as specified in Section 3, Original Page 9 of this tariff.

The monthly Enhanced Universal Emergency Number Service - E911 surcharge as specified in Section 1, Original Page 6 also applies.

Issued: October 18, 2010

Issued by: Susan Rand King

Susan Rand King

Effective: November 1, 2010

Title: President

Authorized by NHPUC Order No. 25,152 dated September 3, 2010 in Docket No. DT 10-231

LOCAL EXCHANGE SERVICE

VI. LOW-USE MEASURED RESIDENCE SERVICE

A. GENERAL

1. Low-Use Measured Service is furnished in all exchanges where suitable facilities exist.
2. This service is provided only if the customer does not have unlimited or business main telephone exchange service at the premises.
3. Low-Use Measured Residence Service is provided on an initial period one-message-unit basis within the exchange and to additional exchanges included in the Extended Local Service Area and within municipalities as specified in VIII and X following.
4. Local usage charges do not apply to calls to the Telephone Company Business Office, repair service, directory assistance, 911, or to the operator (O). Operator-handled local calls are billed in accordance with IX following, except that operator-completed station-to-station sent-paid calls for handicapped persons unable to dial calls because of their handicap, for customers unable to reach a number by dialing, or for customers who have had an established call interrupted, are charged as Low-Use Measured Residence Service usage.
5. For a four-month period from the date a customer selects Low-Use Measured Residence Service, the customer may revert to the previous class or grade of service without the application of Service and Equipment Charges.

B. Rates and Charges

Service and Equipment Charges as appropriate.

Monthly rate, providing an initial 30 message-unit allowance.. See Section 2, Paragraph V
Each additional message unit.. $ .131

The initial period and overtime period for each message unit is five minutes or any portion thereof. For each of the overtime periods, one message unit applies. A credit is not given for any unused allowance, nor is any unused allowance applied to a past or future bill.

Low-Use Measured Residence Service incorporates the provision of Dual Party Relay Service/Telecommunications Relay Service for which a rate increase from 2¢ per month to 6¢ per month has been authorized by the NHPUC in DT 10-231 Order No. 25,142 dated September 3, 2010. (C)

Low-Use Measured Residence Service includes the provision of Push-Button Service furnished as specified in Section 3, Original Page 9 of this tariff.

The monthly Enhanced Universal Emergency Number Service - E911 surcharge as specified in Section 1, Original Page 6 also applies.

VII. TRUNK LINES

A. Trunk Lines

Trunk Lines are furnished on an unlimited service basis in accordance with the service offerings for local exchange service in each exchange.

LOCAL EXCHANGE SERVICE

VII. TRUNK LINES (continued)

B. Monthly Rates

All trunk lines, each	Unlimited Service
Business	150% of the unlimited service base rate applying in the particular exchange involved.
Residence	The unlimited service base rate applying in the particular exchange involved.

Trunk lines include the provision of Push-Button Service as specified in Section 3, Original Page 9 of this tariff.

The monthly Enhanced Universal Emergency Number Service - E911 surcharge as specified in Section 1, Original Page 6 also applies.

VIII. LOCAL EXTENDED SERVICE

A. Chester Exchange
The local service area of the Chester Exchange includes the Chester Exchange and the Derry, Manchester , Plaistow, Atkinson/Hampstead, Candia, Kingston and Raymond Exchanges of Verizon.

B. Hillsboro Upper Village Exchange
The local service area of the Hillsboro Upper Village Exchange includes the Hillsboro Upper Village and Washington Exchanges; the Antrim, Bradford, Henniker and Hillsboro Exchanges of the Merrimack County Telephone Co. and the Marlow Exchange of Verizon.

C. Washington Exchange
The local service area of the Washington Exchange includes the Washington and Hillsboro Upper Village Exchanges; the Antrim, Bradford and Hillsboro Exchanges of the Merrimack County Telephone Co. and the Newport and Marlow Exchanges of Verizon.

D. Weare Exchange
The local service area of the Weare Exchange includes the Weare Exchange; the Antrim, Contoocook, Henniker and Hillsboro Exchanges of Merrimack County Telephone Co.; the Dunbarton Exchange of Dunbarton Telephone Co. and the Goffstown, Greenfield, Manchester and New Boston Exchanges of Verizon.

IX. Local messages may be placed on a collect, charge to a third number, or charge to a calling card number in accordance with the following regulations and rates:

A. Local calls within an exchange, between exchanges and between exchanges and localities in the same local service area may be handled on a station-to-station basis as collect, charge to a third telephone number, or charge to a calling card number.

B. The local message charge for a local call made on a collect, charge to a third telephone number, or calling card basis is the same as that for an intrastate operator handled station-to-station noncoin toll call in the lowest mileage band. (See Section 5)

LOCAL EXCHANGE SERVICE

X. MUNICIPAL CALLING SERVICE

A. Municipal Calling Service is a service arrangement provided on a non-optional basis to municipalities served by more than one exchange or locality where toll charges would normally apply to calls between the exchanges or localities serving the same municipality. All dial station-to-station service, within a municipality is not chargeable as toll except for calls originating from a coin supervision public access line, terminating at a coin supervision public access line or made to or from foreign exchange lines unless dial tone for the foreign exchange line is provided from a central office serving some portion of the municipality in which the foreign exchange line service address is located.

B. Calls made from telephones within an Exchange but located in a different municipality than the primary access line will be considered as calls made from the primary access line address.

C. The term "Municipality" applies to a city, town, or unincorporated place, but is not to be applied to any entity larger than a city; for example, a county.

D. Municipalities serving exchanges and/or localities where Municipal Calling Service applies for Granite State Telephone exchanges and localities are shown below. Exchanges and localities are followed by the name of the serving company.

MUNICIPALITY	SERVING EXCHANGES AND /OR LOCALITIES OR PORTIONS THEREOF
ANTRIM	Antrim (Contoocook Valley Telephone Co.) Hancock (Bell Atlantic) Hillsboro Upper Village (Granite State Telephone) Hillsboro (Contoocook Valley Telephone Co.)
HOPKINTON	Concord (Bell Atlantic) Contoocook (Merrimack County Telephone) Weare (Granite State Telephone)
NEW BOSTON	New Boston (Bell Atlantic) Bedford (Bell Atlantic) Weare (Granite State Telephone)
STODDARD	Marlow (Bell Atlantic) Sullivan (Bell Atlantic) Washington (Granite State Telephone)

TOLL SERVICE

1. For all calls originating in this Company and interchanged with Bell Atlantic, rates and regulations of Bell Atlantic will apply.

Granite State Telephone, Inc.
SAC 120039
FCC Form 481
Line 3026 – Rate of Return Carrier Additional Documentation Compliant with § 54.313(f)(2) of the Commission's Rules

BerryDunn

GRANITE STATE TELEPHONE, INC.

FINANCIAL STATEMENTS

December 31, 2012 and 2011

With Independent Auditor's Report

BerryDunn

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Granite State Telephone, Inc.

We have audited the accompanying financial statements of Granite State Telephone, Inc. (a wholly-owned subsidiary of Yankee Telecom, Inc.) which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of operations and comprehensive loss, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Granite State Telephone, Inc. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
February 26, 2013

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Granite State Telephone, Inc.

We have audited the accompanying financial statements of Granite State Telephone, Inc. (a wholly-owned subsidiary of Yankee Telecom, Inc.) which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of operations and comprehensive loss, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Granite State Telephone, Inc. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
February 26, 2013

GRANITE STATE TELEPHONE, INC.

Balance Sheets

December 31, 2012 and 2011

ASSETS

	2012	2011
Current assets		
Cash and cash equivalents	$ 525,430	$ 551,764
Accounts receivable, net of allowance for doubtful accounts of $25,000 in 2012 and $27,280 in 2011	839,508	799,474
Materials and supplies	347,756	447,866
Due from affiliates	1,785,846	1,847,888
Prepaid expenses and other current assets	228,630	166,559
Total current assets	3,727,170	3,813,551
Telephone plant, at cost		
General support assets	6,633,735	6,649,721
Central office equipment	12,787,081	12,479,384
Cable and wire facilities	20,177,206	19,479,489
Other equipment	1,471,220	1,412,920
Telephone plant under construction	89,616	108,624
	41,158,858	40,130,138
Less accumulated depreciation	31,834,209	29,901,196
Net telephone plant	9,324,649	10,228,942
Other assets	837,068	818,436
	$ 13,888,887	$ 14,860,929

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND STOCKHOLDER'S EQUITY

	2012	2011
Current liabilities		
Accounts payable	$ 137,319	$ 205,560
Income taxes payable	7,871	8,031
Accrued liabilities	302,186	352,307
Other current liabilities	137,482	210,278
Accrued pension costs, current portion	286,000	303,000
Total current liabilities	870,858	1,079,176
Other liabilities and deferred credits		
Accrued pension costs, excluding current portion	2,498,971	2,627,436
Deferred income taxes	224,294	366,265
Total other liabilities and deferred credits	2,723,265	2,993,701
Total liabilities	3,594,123	4,072,877
Commitments and contingencies (Notes 5 and 6)		
Stockholder's equity		
Common stock, $10 par value; 2,000 shares authorized, 124 shares issued and outstanding	1,240	1,240
Additional paid-in capital	4,500,630	4,500,630
Retained earnings	7,543,929	8,052,558
Accumulated other comprehensive loss, net of taxes	(1,751,035)	(1,766,376)
Total stockholder's equity	10,294,764	10,788,052
	$ 13,888,887	$ 14,860,929

GRANITE STATE TELEPHONE, INC.

Statements of Operations and Comprehensive Loss

Years Ended December 31, 2012 and 2011

	2012	2011
Operating revenues		
Local network services	$ 2,116,392	$ 2,246,061
Network access services	4,449,706	4,551,609
Miscellaneous	215,622	222,339
Nonregulated revenues	285,672	283,724
Less uncollectible revenues, net of recoveries	(9,671)	(4,497)
Total operating revenues	7,057,721	7,299,236
Operating expenses		
Plant specific operations	1,738,529	1,554,996
Plant nonspecific operations	879,108	859,814
Depreciation and amortization	2,308,865	2,279,262
Customer operations	1,054,233	1,046,604
Corporate operations	1,548,534	1,419,586
Nonregulated expenses	176,795	165,273
Total operating expenses	7,706,064	7,325,535
Operating taxes		
Federal and state income tax benefit	(340,485)	(85,955)
Other operating taxes	197,358	172,639
Total operating tax (benefit) expense	(143,127)	86,684
Net operating loss	(505,216)	(112,983)
Other income (expense)		
Interest and dividends	3,819	4,873
Other, net	(11,009)	(10,374)
Income taxes	4,222	2,536
Net other expense	(2,968)	(2,965)
Loss before interest expense	(508,184)	(115,948)
Interest expense	445	663
Net loss	(508,629)	(116,611)
Other comprehensive loss, net of tax		
Decrease (increase) in pension liability, net of tax	15,341	(958,812)
Total comprehensive loss	$ (493,288)	$ (1,075,423)

The accompanying notes are an integral part of these financial statements.

GRANITE STATE TELEPHONE, INC.

Statements of Changes in Stockholder's Equity

Years Ended December 31, 2012 and 2011

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholder's Equity
Balances, December 31, 2010	$ 1,240	$ 4,500,630	$ 8,169,169	$ (807,564)	$ 11,863,475
Net loss	-	-	(116,611)	-	(116,611)
Increase in pension liability, net of tax benefit of $628,887	-	-	-	(958,812)	(958,812)
Total comprehensive loss	-	-	(116,611)	(958,812)	(1,075,423)
Balances, December 31, 2011	1,240	4,500,630	8,052,558	(1,766,376)	10,788,052
Net loss	-	-	**(508,629)**	-	**(508,629)**
Decrease in pension liability, net of tax expense of $10,062	-	-	-	**15,341**	**15,341**
Total comprehensive loss	-	-	**(508,629)**	**15,341**	**(493,288)**
Balances, December 31, 2012	**$ 1,240**	**$ 4,500,630**	**$ 7,543,929**	**$ (1,751,035)**	**$ 10,294,764**

The accompanying notes are an integral part of these financial statements.

GRANITE STATE TELEPHONE, INC.

Statements of Cash Flows

Years Ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Net loss	**$ (508,629)**	$ (116,611)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	**2,340,522**	2,313,043
Deferred income taxes	**(152,033)**	(114)
Increase in other assets	**(18,632)**	(28,169)
Decrease (increase) in		
Accounts receivable, net	**(40,034)**	38,246
Materials and supplies	**100,110**	(20,860)
Prepaid expenses and other current assets	**(62,071)**	(105,189)
Due from affiliates	**(5,393)**	(900)
Increase (decrease) in		
Accounts payable	**(68,241)**	130,386
Income taxes payable	**(160)**	119,349
Accrued and other current liabilities	**(122,917)**	(77,735)
Accrued pension costs	**(120,062)**	(274,622)
Net cash provided by operating activities	**1,342,460**	1,976,824
Cash flows from investing activities		
Purchase of telephone plant, net	**(1,436,229)**	(1,478,346)
Advances from (to) Parent, net	**67,435**	(472,290)
Net cash used by investing activities	**(1,368,794)**	(1,950,636)
Net (decrease) increase in cash and cash equivalents	**(26,334)**	26,188
Cash and cash equivalents, beginning of year	**551,764**	525,576
Cash and cash equivalents, end of year	**$ 525,430**	$ 551,764

The accompanying notes are an integral part of these financial statements.

Nature of Operations

Granite State Telephone, Inc. (the Company), a wholly-owned subsidiary of Yankee Telecom, Inc. (the Parent), derives substantially all of its operating revenues from providing basic local service and network access to subscribers in Weare, Chester, Sandown, Washington and Hillsboro Upper Village, New Hampshire, and access services to intrastate and interstate long-distance telephone carriers. The Company is subject to regulation by the Federal Communications Commission (FCC) and the New Hampshire Public Utilities Commission (NHPUC) for rates and other matters.

1. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Regulatory Accounting

The Company follows the accounting prescribed by the Uniform System of Accounts of the FCC, the NHPUC, and the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 980, *Regulated Operations*. This accounting recognizes the economic effects of rate regulation by recording costs and a return on investment as such amounts are recovered through rates authorized by regulatory authorities. The Company annually reviews the continued applicability of FASB ASC 980 based on the current regulatory and competitive environment.

Cash and Cash Equivalents

All liquid investments with an original maturity of three months or less are considered to be cash equivalents.

The Company maintains its cash in bank accounts which may exceed federally insured limits. The Company has not experienced any losses in such accounts, and believes it is not exposed to any significant risk with respect to these accounts.

Accounts Receivable

The Company extends credit at standard terms, after appropriate review, to its subscribers and domestic interexchange carriers. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to the allowance for doubtful accounts based on its assessment of the collectibility of outstanding accounts. Individual accounts that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable.

Materials and Supplies

Materials and supplies are valued at their average cost.

Telephone Plant

Telephone plant is stated at cost, which includes labor, material and overhead, and direct charges such as equipment costs. Depreciation for the regulated plant is computed on average plant investment by primary plant accounts using the straight-line method over the assets' useful lives as approved by the NHPUC. Nonregulated plant depreciation is computed on average plant investment using the straight-line method over the assets' estimated useful lives.

Telephone Plant Retirements

When telephone plant assets are retired or otherwise disposed of, the cost of the assets is removed from the asset account and charged to the related allowance for depreciation. Similarly, the cost of the removal and salvage proceeds are charged or credited to the allowance for depreciation. Consequently, no gain or loss is recognized upon disposition.

Income Taxes

The Company is included in the consolidated federal and state income tax returns filed by its Parent. Income tax expense is allocated to the Company based on the statutory rates of the consolidated group applied to its separate income (loss) before income taxes. The Company makes income tax payments to the Parent for tax expenses or receives payments for tax benefits.

Deferred income taxes are provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The Company follows guidance for uncertainty in income taxes which is part of FASB ASC 740, *Income Taxes*. The guidance prescribes a recognition threshold and measurement attributes for financial statement recognition of a tax position taken or expected to be taken on a tax return.

As of December 31, 2012, tax years after 2008 remain subject to examination by the federal and state authorities.

Pension Plans

The Company sponsors a noncontributory defined benefit pension plan. Effective December 31, 2008, the Company amended this plan to freeze (curtail) the accrual of retirement benefits. All eligible employees, at that time, were granted full vesting in accrued benefits based on years of service and employee compensation through the effective date of the amendment. The Company also sponsors an unfunded deferred compensation plan, which is a nonqualified plan that provides certain executives defined pension benefits in excess of the limits imposed by federal tax law. Benefits provided under these plans are expensed over the working lives of the employees.

Revenue Recognition

Local services are billed monthly for services provided during the preceding month.

Interstate network access services revenues, included in network access services, are based on estimates of the Company's regulated telephone plant investment and operating expenses, and allowable rates of return on investments allocated to those services. Certain assets and investments are excluded from rate recovery. Nationwide pooling of the revenues is administered by the National Exchange Carrier Association (NECA), of which the Company is a member. NECA files interstate access charge tariff schedules with the FCC and accumulates and distributes pooled revenues, derived from interstate access services, to its members. The Company records the effect of NECA settlements, including retroactive adjustments, if applicable, upon notification of such settlements from NECA.

Intrastate network access service revenues, also included in network access revenue, result from charges to interexchange carriers. These revenues are recorded on a bill and keep method based on applicable services and rates in the Company's intrastate access tariff filed with the NHPUC.

Effective July 1, 2012, the terminating interstate and intrastate network access revenues have been set at predetermined levels subject to the provisions of the FCC Order on Intercarrier Compensation and Universal Service Fund. The effect will be to reduce these network access revenues by five percent annually through 2017.

Taxes Collected from Customers and Remitted to Governmental Authorities

The Company reports certain taxes on the net basis. Accordingly, they are recorded as a liability when billed to customers and excluded from revenues and expenses.

Advertising

The Company expenses the cost of advertising as incurred. Advertising expense amounted to approximately $171,000 in 2012 and $182,000 in 2011.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net (loss) income, and other gains and losses affecting stockholder's equity that, under U.S. generally accepted accounting principles, are excluded from net (loss) income. Other gains and losses excluded from net (loss) income for the Company include pension liability equity adjustments, net of income taxes.

Subsequent Events

For purpose of the preparation of these financial statements in conformity with U.S. generally accepted accounting principles, the Company has considered transactions or events occurring through February 26, 2013, which was the date the financial statements were available to be issued.

2. Pension Plans

Plan funded status

The Company has a funded defined benefit plan and an unfunded deferred compensation plan (the "Plans"). The funded status and accumulated benefit obligation of the Plans as of December 31, 2012 and 2011, are as follows:

	2012	2011
Projected benefit obligation	**$ (9,620,663)**	$ (9,063,062)
Fair value of plan assets	**6,835,692**	6,132,626
Funded status of the plans	**$ (2,784,971)**	$ (2,930,436)
Accumulated benefit obligation:		
Defined benefit plan	**$ 9,015,438**	$ 8,462,355
Deferred compensation plan	**605,225**	600,707
Total accumulated benefit obligation	**$ 9,620,663**	$ 9,063,062

Weighted average assumptions used in determining the Plan obligations are as follows:

Discount rate	**4.50 %**	4.75 %

Pension expense

For the years ended December 31, 2012 and 2011, the components of net periodic benefit cost (credit) for the Plans are as follows:

	2012	2011
Interest cost	**$ 425,383**	$ 434,255
Expected return on assets	**(481,500)**	(502,747)
Amortization of actuarial loss	**204,008**	56,823
	$ 147,891	$ (11,669)

Weighted average assumptions used to determine the net periodic benefit cost are as follows:

Discount rate	**4.75 %**	5.50 %
Expected long-term return on plan assets	**8.00 %**	8.00 %

To develop the expected long-term return on the plan assets, the Company considered the historical investment returns and the future expectations for returns for each asset class as well as the target allocation of the pension portfolio.

Risks

The Plan invests in various investment securities. Investment securities are exposed to risk such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported.

Plan assets

The long-term investment objectives of the defined benefit plan's assets are to meet or exceed a target funding level of 100% of the Plan's liabilities and to realize a rate of return greater than that of inflation. To achieve these objectives, the Company developed target asset allocations, which are 10-60% for fixed income securities, 30-70% for domestic equities and 10-40% for global equities or fixed income securities. Within these guidelines, institutional investment managers are selected to carry out specific elements of a diversified investment strategy. The Company regularly reviews investment manager performance and re-allocates funds as needed to achieve the overall investment objectives.

FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair values of Plan assets at December 31, 2012 by asset category are as follows:

Asset Category	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Quoted Prices for Similar Assets in an Active Market (Level 2)
Domestic equity securities (a)	$ 2,616,459	$ 2,616,459	$ -
International equity securities (b)	1,774,918	1,774,918	-
U.S. Governmental and agency debt securities (c)	825,937	825,937	-
Corporate bonds debt securities (c)	1,342,621	-	1,342,621
Cash and cash equivalents (d)	275,757	275,757	-
Total plan assets	$ 6,835,692	$ 5,493,071	$ 1,342,621

The fair values of Plan assets at December 31, 2011 by asset category are as follows:

Asset Category	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Quoted Prices for Similar Assets in an Active Market (Level 2)
Domestic equity securities (a)	$ 2,281,247	$ 2,281,247	$ -
International equity securities (b)	1,488,501	1,488,501	-
U.S. Governmental and agency debt securities (c)	1,089,187	655,128	434,059
Corporate bonds debt securities (c)	952,898	-	952,898
Cash and cash equivalents (d)	320,793	320,793	-
Total plan assets	$ 6,132,626	$ 4,745,669	$ 1,386,957

(a) This category includes investments in equity securities of large-, small- and medium-sized companies.

(b) This category includes equity securities of foreign companies, including those in developing countries.

(c) These categories include investments in investment grade fixed-income instruments, U.S. dollar-denominated debt securities of emerging market issuers and high yield fixed-income securities that are rated below investment grade.

(d) This category consists of cash and cash equivalents held to pay beneficiaries.

The Level 2 investments consist of corporate bonds and agency bonds, and are valued based on quoted market prices of similar assets.

The Company's policy with respect to funding the plan is to fund at least the minimum required by the Employee Retirement and Income Security Act of 1974, and not more than the maximum contribution allowable for federal income tax purposes. The Company contributed $267,953 and $262,953 to the Plans in 2012 and 2011, respectively, and expects to contribute $286,000 in 2013.

The Plans made benefit payments in the amount of $217,985 and $253,360 in 2012 and 2011, respectively. The Plans' estimated future benefit payments are $377,000 in 2013, $401,000 in 2014, $395,000 in 2015, $407,000 in 2016, $421,000 in 2017, and $2,761,000 for the period from 2018 to 2022.

Other comprehensive income (loss)

Amounts recognized in accumulated other comprehensive loss for pension obligations are as follows:

	2012	2011
Net loss recognized in accumulated other comprehensive loss	$ (2,899,544)	$ (2,924,947)
Less income tax effect	1,148,509	1,158,571
Accumulated other comprehensive loss, net of tax	$ (1,751,035)	$ (1,766,376)

In 2013, $215,370 of the net loss in accumulated other comprehensive loss is expected to be recognized as a component of net periodic benefit cost.

3. 401(k) Plan

The Company has a 401(k) Plan which provides for an employer match of 20% on employees' contributions up to 5% of compensation. The plan also allows the Company to make a discretionary contribution. The amounts expensed under this plan totaled approximately $17,000 and $16,200 for 2012 and 2011, respectively.

4. Income Taxes

Income taxes amounted to a benefit of $344,707 and $88,491 in 2012 and 2011, respectively.

The components of income tax (benefit) expense are as follows:

	Current	Deferred	Total
2012			
Federal	$ (158,632)	$ (110,856)	$ (269,488)
State	(34,042)	(41,177)	(75,219)
	$ (192,674)	$ (152,033)	$ (344,707)
	Current	Deferred	Total
2011			
Federal	$ (94,011)	$ 25,736	$ (68,275)
State	5,634	(25,850)	(20,216)
	$ (88,377)	$ (114)	$ (88,491)

The income tax benefit is allocated as follows:

	2012	2011
Operating loss	**$ (340,485)**	$ (85,955)
Other expense	**(4,222)**	(2,536)
	$ (344,707)	$ (88,491)

The reconciliation of income taxes computed at the federal statutory tax rate to the income tax benefit is as follows:

	2012		2011	
	Amount	**Percent**	Amount	Percent
Tax at federal statutory rate	**$ (290,133)**	**34.0 %**	$ (69,735)	34.0 %
State income tax, net of federal tax benefit	**(49,645)**	**5.8**	(13,343)	6.5
Other - net	**(4,929)**	**0.6**	(5,413)	2.6
	$ (344,707)	**40.4 %**	$ (88,491)	43.1 %

The components of the deferred tax liability (asset) at December 31 are as follows:

	2012	2011
Temporary differences related to:		
Depreciation	**$ 1,181,546**	$ 1,411,231
Allowance for funds used during construction	**20,935**	27,792
Accrued pension liability	**139,445**	99,708
Pension liability charged to other comprehensive income	**(1,148,509)**	(1,158,571)
Other	**30,877**	(13,895)
	$ 224,294	$ 366,265

5. Related Party Transactions

Transactions with Parent

The Company participates in a consolidated cash management program with the Parent. Under this program, the Company routinely advances collected funds to the Parent. Advances to the Parent totaled $7,976,211 in 2012 and $8,309,156 in 2011. Charges and advances from the Parent for capital expenditures, operating expenses and dividends totaled $8,043,646 in 2012 and $7,836,866 in 2011. Included in amounts due from affiliates at December 31, 2012 and 2011, were net amounts due from Parent of $1,785,846 and $1,853,280, respectively. At December 31, 2012, management believes the Parent has sufficient availability of funds to support the Company's cash needs for the foreseeable future.

At December 31, 2012 and 2011, the current portion of income taxes payable of $7,871 and $8,031, respectively, represents amounts payable to the Parent. The deferred income tax liability will increase amounts payable to the Parent in the future periods. The Company had income tax refunds, net of payments of $192,674 and $207,725 during 2012 and 2011, respectively, substantially all of which were received from the Parent.

Management expects to declare dividends, as needed, in support of the on-going debt service requirements of the Parent.

Data Processing, Billing and Collections Services

The Company purchases data processing services from Granite State Telephone Service Corporation (Service Corporation). Total data processing expense for 2012 and 2011 was $579,129 and $618,490, respectively. The rate charged to the Company are based upon the Service Corporation's fully distributed cost.

The Company entered into a billing and collections agreement with Granite State Long Distance, Inc. (GSLD) whereby the Company purchases, with recourse, the accounts receivable of GSLD and receives a billing and collections fee. Total accounts receivable purchased by the Company from GSLD and related billing and collections revenue recognized were $2,470,890 and $93,901, respectively, for 2012 and $2,395,498 and $101,451, respectively, for 2011.

The Company charges GSLD an access fee for use of its telephone facilities. The total telephone access revenue charged to GSLD during 2012 and 2011 was $165,292 and $172,740, respectively. The Company also charges an access fee to GSLD for use of its internet circuits. Total revenues charged to GSLD for internet circuits for 2012 and 2011 were $372,164 and $367,927, respectively. Rates charged for the preceding services are comparable to rates charged to unrelated customers.

Leases

The Company leases certain vehicles, land and equipment from Service Corporation. These cancelable leases are accounted for as operating leases. During 2012 and 2011, approximately $60,655 and $68,891, respectively, was paid to Service Corporation under these lease agreements.

The Company has a lease agreement for an additional office facility with CAK Realty, Inc. (CAK). This lease is accounted for as an operating lease and runs through October 14, 2016 at a base rent adjusted for inflation. During 2012 and 2011, rent expense, including other related fees, totaling approximately $107,900 and $107,200, respectively, was paid to CAK under the terms of the lease agreement.

Future minimum base rent payments under the noncancelable operating lease with CAK are approximately as follows:

2013	$ 115,600
2014	118,000
2015	120,500
2016	104,300
	$ 458,400

Service Corporation, GSLD and CAK are wholly-owned subsidiaries of the Parent.

6. Contingencies

The Company is involved in various legal proceedings incidental to the conduct of its normal business operations. In the opinion of management, these proceedings will not have a material adverse impact on the financial condition of the Company as of December 31, 2012. The impact on future operations cannot be estimated.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Granite State Telephone, Inc.

We have audited the accompanying balance sheets of Granite State Telephone, Inc. (a wholly-owned subsidiary of Yankee Telecom, Inc.) as of December 31, 2011 and 2010, and the related statements of operations, changes in stockholder's equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with United States generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Granite State Telephone, Inc. as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with United States generally accepted accounting principles.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
February 13, 2012

GRANITE STATE TELEPHONE, INC.

Balance Sheets

December 31, 2011 and 2010

ASSETS

	2011	2010
Current assets		
Cash and cash equivalents	$ **551,764**	$ 525,576
Accounts receivable, net of allowance for doubtful accounts of $27,280 in 2011 and $34,494 in 2010	**799,474**	837,720
Materials and supplies	**447,866**	427,006
Due from affiliates	**1,847,888**	1,374,698
Prepaid expenses and other current assets	**166,559**	61,370
Income taxes receivable	**-**	111,318
Total current assets	**3,813,551**	3,337,688
Telephone plant, at cost		
General support assets	**6,649,721**	6,653,946
Central office equipment	**12,479,384**	12,134,829
Cable and wire facilities	**19,479,489**	18,778,218
Other equipment	**1,412,920**	1,340,228
Telephone plant under construction	**108,624**	84,105
	40,130,138	38,991,326
Less accumulated depreciation	**29,901,196**	27,927,687
Net telephone plant	**10,228,942**	11,063,639
Other assets	**818,436**	790,267
	$ **14,860,929**	$ 15,191,594

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND STOCKHOLDER'S EQUITY

	2011	2010
Current liabilities		
Accounts payable	$ 205,560	$ 75,174
Income taxes payable	8,031	-
Accrued liabilities	352,307	395,368
Other current liabilities	210,278	244,952
Accrued pension costs, current portion	303,000	203,000
Total current liabilities	1,079,176	918,494
Other liabilities and deferred credits		
Accrued pension costs, excluding current portion	2,627,436	1,414,359
Deferred income taxes	366,265	995,266
Total other liabilities and deferred credits	2,993,701	2,409,625
Total liabilities	4,072,877	3,328,119
Contingencies (Notes 6 and 7)		
Stockholder's equity		
Common stock, $10 par value; 2,000 shares authorized, 124 shares issued and outstanding	1,240	1,240
Additional paid-in capital	4,500,630	4,500,630
Retained earnings	8,052,558	8,169,169
Accumulated other comprehensive loss, net of taxes	(1,766,376)	(807,564)
Total stockholder's equity	10,788,052	11,863,475
	$ 14,860,929	$ 15,191,594

GRANITE STATE TELEPHONE, INC.

Statements of Operations

Years Ended December 31, 2011 and 2010

	2011	2010
Operating revenues		
Local network services	$ 2,246,061	$ 2,406,933
Network access services	4,551,609	4,644,420
Miscellaneous	222,339	244,359
Nonregulated revenues	283,724	276,554
Less uncollectible revenues, net of recoveries	(4,497)	(19,309)
Total operating revenues	7,299,236	7,552,957
Operating expenses		
Plant specific operations	1,554,996	1,562,067
Plant nonspecific operations	859,814	834,259
Depreciation and amortization	2,279,262	2,233,356
Customer operations	1,046,604	1,102,560
Corporate operations	1,419,586	1,484,074
Nonregulated expenses	165,273	149,229
Total operating expenses	7,325,535	7,365,545
Operating taxes		
Federal and state income tax (benefit) expense	(85,955)	31,464
Other operating taxes	172,639	95,995
Total operating taxes	86,684	127,459
Net operating (loss) income	(112,983)	59,953
Other income (expense)		
Interest and dividends	4,873	2,398
Other, net	(10,374)	(10,020)
Income taxes	2,536	3,103
Net other expense	(2,965)	(4,519)
(Loss) income before interest expense	(115,948)	55,434
Interest expense	663	757
Net (loss) income	$ (116,611)	$ 54,677

The accompanying notes are an integral part of these financial statements.

GRANITE STATE TELEPHONE, INC.

Statements of Changes in Stockholder's Equity

Years Ended December 31, 2011 and 2010

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholder's Equity
Balances, December 31, 2009	$ 1,240	$ 4,500,630	$ 8,114,492	$ (788,112)	$ 11,828,250
Net income	-	-	54,677	-	54,677
Increase in pension liability, net of tax benefit of $12,760	-	-	-	(19,452)	(19,452)
Total comprehensive income	-	-	54,677	(19,452)	35,225
Balances, December 31, 2010	1,240	4,500,630	8,169,169	(807,564)	11,863,475
Net loss	-	-	**(116,611)**	-	**(116,611)**
Increase in pension liability, net of tax benefit of $628,887	-	-	-	**(958,812)**	**(958,812)**
Total comprehensive loss	-	-	**(116,611)**	**(958,812)**	**(1,075,423)**
Balances, December 31, 2011	**$ 1,240**	**$ 4,500,630**	**$ 8,052,558**	**$ (1,766,376)**	**$ 10,788,052**

The accompanying notes are an integral part of these financial statements.

GRANITE STATE TELEPHONE, INC.

Statements of Cash Flows

Years Ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Net (loss) income	$ **(116,611)**	$ 54,677
Adjustments to reconcile net (loss) income to net cash provided by operating activities		
Depreciation and amortization	**2,313,043**	2,266,685
Deferred income taxes	**(114)**	220,663
Increase in other assets	**(28,169)**	(18,009)
Decrease (increase) in		
Accounts receivable, net	**38,246**	196,256
Materials and supplies	**(20,860)**	(58,217)
Prepaid expenses and other current assets	**(105,189)**	17,972
Income taxes receivable	**119,349**	(191)
Due from affiliates	**(900)**	68,139
Increase (decrease) in		
Accounts payable	**130,386**	(180,916)
Accrued and other current liabilities	**(77,735)**	15,306
Accrued pension costs	**(274,622)**	(232,513)
Net cash provided by operating activities	**1,976,824**	2,349,852
Cash flows from investing activities		
Purchase of telephone plant, net	**(1,478,346)**	(1,889,462)
Advances to Parent, net	**(472,290)**	(510,561)
Net cash used by investing activities	**(1,950,636)**	(2,400,023)
Net increase (decrease) in cash and cash equivalents	**26,188**	(50,171)
Cash and cash equivalents, beginning of year	**525,576**	575,747
Cash and cash equivalents, end of year	$ **551,764**	$ 525,576

The accompanying notes are an integral part of these financial statements.

Nature of Operations

Granite State Telephone, Inc. (the Company), a wholly-owned subsidiary of Yankee Telecom, Inc. (the Parent), derives substantially all of its operating revenues from providing basic local service and network access to subscribers in Weare, Chester, Sandown, Washington and Hillsboro Upper Village, New Hampshire, and access services to intrastate and interstate long-distance telephone carriers. The Company is subject to regulation by the Federal Communications Commission (FCC) and the New Hampshire Public Utilities Commission (NHPUC) for rates and other matters.

1. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Regulatory Accounting

The Company follows the accounting prescribed by the Uniform System of Accounts of the FCC, the NHPUC, and the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 980, *Regulated Operations*. This accounting recognizes the economic effects of rate regulation by recording costs and a return on investment as such amounts are recovered through rates authorized by regulatory authorities. The Company annually reviews the continued applicability of FASB ASC 980 based on the current regulatory and competitive environment.

Cash and Cash Equivalents

All liquid investments with an original maturity of three months or less are considered to be cash equivalents.

The Company maintains its cash in bank accounts which may exceed federally insured limits. The Company has not experienced any losses in such accounts, and believes it is not exposed to any significant risk with respect to these accounts.

Accounts Receivable

The Company extends credit at standard terms, after appropriate review, to its subscribers and domestic interexchange carriers. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to the allowance for doubtful accounts based on its assessment of the collectibility of outstanding accounts. Individual accounts that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable.

Materials and Supplies

Materials and supplies are valued at their average cost.

Telephone Plant

Telephone plant is stated at cost, which includes labor, material and overhead, and direct charges such as equipment costs. Depreciation for the regulated plant is computed on average plant investment by primary plant accounts using the straight-line method over the assets' useful lives as approved by the NHPUC. Nonregulated plant depreciation is computed on average plant investment using the straight-line method over the assets' estimated useful lives.

Telephone Plant Retirements

When telephone plant assets are retired or otherwise disposed of, the cost of the assets is removed from the asset account and charged to the related allowance for depreciation. Similarly, the cost of the removal and salvage proceeds are charged or credited to the allowance for depreciation. Consequently, no gain or loss is recognized upon disposition.

Income Taxes

The Company is included in the consolidated federal and state income tax returns filed by its Parent. Income tax expense is allocated to the Company based on the statutory rates of the consolidated group applied to its separate income (loss) before income taxes. The Company makes income tax payments to the Parent for tax expenses or receives payments for tax benefits.

Deferred income taxes are provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The Company follows guidance for uncertainty in income taxes which is part of FASB ASC 740, *Income Taxes*. The guidance prescribes a recognition threshold and measurement attributes for financial statement recognition of a tax position taken or expected to be taken on a tax return.

As of December 31, 2011, tax years after 2007 remain subject to examination by the federal and State authorities.

Pension Plans

The Company sponsors a noncontributory defined benefit pension plan. Effective December 31, 2008, the Company amended this plan to freeze (curtail) the accrual of retirement benefits. All eligible employees, at that time, were granted full vesting in accrued benefits based on years of service and employee compensation through the effective date of the amendment. The Company also sponsors an unfunded deferred compensation plan, which is a nonqualified plan that provides certain executives defined pension benefits in excess of the limits imposed by federal tax law. Benefits provided under these plans are expensed over the working lives of the employees.

Revenue Recognition

Local services are billed monthly for services provided during the preceding month.

Interstate network access services revenues, included in network access services, are based on estimates of the Company's regulated telephone plant investment and operating expenses, and allowable rates of return on investments allocated to those services. Certain assets and investments are excluded from rate recovery. Nationwide pooling of the revenues is administered by the National Exchange Carrier Association (NECA), of which the Company is a member. NECA files interstate access charge tariff schedules with the FCC and accumulates and distributes pooled revenues, derived from interstate access services, to its members. The Company records the effect of NECA settlements, including retroactive adjustments, if applicable, upon notification of such settlements from NECA.

Intrastate network access service revenues, also included in network access revenue, result from charges to interexchange carriers. These revenues are recorded on a bill and keep method based on applicable services and rates in the Company's intrastate access tariff filed with the NHPUC.

Taxes Collected from Customers and Remitted to Governmental Authorities

The Company reports certain taxes on the net basis. Accordingly, they are recorded as a liability when billed to customers and excluded from revenues and expenses.

Advertising

The Company expenses the cost of advertising as incurred. Advertising expense amounted to approximately $182,000 in 2011 and $177,000 in 2010.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net (loss) income, and other gains and losses affecting stockholder's equity that, under United States generally accepted accounting principles, are excluded from net (loss) income. Other gains and losses excluded from net (loss) income for the Company include pension liability equity adjustments, net of income taxes. Comprehensive income (loss) is presented in the statements of changes in stockholder's equity.

Subsequent Events

For purpose of the preparation of these financial statements in conformity with U.S. generally accepted accounting principles, the Company has considered transactions or events occurring through February 13, 2012, which was the date the financial statements were available to be issued.

Reclassifications

Certain 2010 amounts have been reclassified to conform with the 2011 presentation.

2. Pension Plans

Plan funded status

The Company has a funded defined benefit plan and an unfunded deferred compensation plan (the "Plans"). The funded status and accumulated benefit obligation of the Plans as of December 31, 2011 and 2010, are as follows:

	2011	2010
Projected benefit obligation	**$ (9,063,062)**	$ (7,982,352)
Fair value of plan assets	**6,132,626**	6,364,993
Funded status of the plans	**$ (2,930,436)**	$ (1,617,359)
Accumulated benefit obligation:		
Defined benefit plan	**$ 8,462,355**	$ 7,410,127
Deferred compensation plan	**600,707**	572,225
Total accumulated benefit obligation	**$ 9,063,062**	$ 7,982,352

Weighted average assumptions used in determining the Plan obligations are as follows:

Discount rate	**4.75 %**	5.50 %

Pension expense

For the years ended December 31, 2011 and 2010, the components of net periodic benefit costs for the Plans are as follows:

	2011	2010
Interest cost	**$ 434,255**	$ 441,051
Expected return on assets	**(502,747)**	(474,171)
Amortization of actuarial loss	**56,823**	43,559
	$ (11,669)	$ 10,439

Weighted average assumptions used to determine the net periodic benefit cost are as follows:

Discount rate	**5.50 %**	5.75 %
Expected long-term return on plan assets	**8.00 %**	8.00 %
Employer contribution	**$ 262,953**	$ 242,953

To develop the expected long-term return on the plan assets noted above, the Company considered the historical investment returns and the future expectations for returns for each asset class as well as the target allocation of the pension portfolio.

Risks

The Plan invests in various investment securities. Investment securities are exposed to various risk such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported.

Plan assets

The long-term investment objectives of the defined benefit plan's assets are to meet or exceed a target funding level of 100% of the Plan's liabilities and to realize a rate of return greater than that of inflation. To achieve these objectives, the Company developed target asset allocations, which are 10-60% for fixed income securities, 30-70% for domestic equities and 10-40% for global equities or fixed income securities. Within these guidelines, institutional investment managers are selected to carry out specific elements of a diversified investment strategy. The Company regularly reviews investment manager performance and re-allocates funds as needed to achieve the overall investment objectives.

FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair values of Plan assets at December 31, 2011 by asset category are as follows:

Asset Category	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Quoted Prices for Similar Assets in an Active Market (Level 2)
Domestic equity securities (a)	$ 2,281,247	$ 2,281,247	$ -
International equity securities (b)	1,488,501	1,488,501	-
U.S. Governmental and agency debt securities (c)	1,089,187	655,128	434,059
Corporate bonds debt securities (c)	952,898	-	952,898
Cash and cash equivalents (d)	320,793	320,793	-
Total plan assets	$ 6,132,626	$ 4,745,669	$ 1,386,957

The fair values of Plan assets at December 31, 2010 by asset category are as follows:

Asset Category	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Quoted Prices for Similar Assets in an Active Market (Level 2)
Domestic equity securities (a)	$ 2,336,936	$ 2,336,936	$ -
International equity securities (b)	1,840,689	1,840,689	-
U.S. Governmental and agency debt securities (c)	955,831	643,150	312,681
Corporate bonds debt securities (c)	1,075,155	-	1,075,155
Cash and cash equivalents (d)	156,382	156,382	-
Total plan assets	$ 6,364,993	$ 4,977,157	$ 1,387,836

(a) This category includes investments in equity securities of large, small and medium sized companies.

(b) This category includes equity securities of foreign companies, including those in developing countries.

(c) These categories include investments in investment grade fixed-income instruments, US dollar-denominated debt securities of emerging market issuers and high yield fixed-income securities that are rated below investment grade.

(d) This category consists of cash and cash equivalents held to pay beneficiaries.

The Level 2 investments consist of corporate bonds and agency bonds, and are valued based on quoted market prices of similar assets.

The Company's policy with respect to funding the plan is to fund at least the minimum required by the Employee Retirement and Income Security Act of 1974, and not more than the maximum contribution allowable for federal income tax purposes. The Company contributed $262,953 and $242,953 to the Plans in 2011 and 2010, respectively, and expects to contribute $303,000 in 2012.

The Plans made benefit payments in the amount of $253,360 and $531,889 in 2011 and 2010, respectively. The Plans' estimated future benefit payments are $269,000 in 2012, $371,000 in 2013, $394,000 in 2014, $387,000 in 2015, $398,000 in 2016 and $2,533,000 for the period from 2017 to 2021.

Other comprehensive income (loss)

Amounts recognized in accumulated other comprehensive loss for pension obligations are as follows:

	2011	2010
Net loss recognized in accumulated other comprehensive loss	$ (2,924,947)	$ (1,337,248)
Less income tax effect	1,158,571	529,684
Accumulated other comprehensive loss, net of tax	$ (1,766,376)	$ (807,564)

In 2012, $197,793 of the net loss in accumulated other comprehensive loss is expected to be recognized as a component of net periodic benefit cost.

3. 401(k) Plan

The Company has a 401(k) Plan which provides for an employer match of 20% on employees' contributions up to 5% of compensation. The plan also allows the Company to make a discretionary contribution. The amounts expensed under this plan totaled approximately $16,200 and $14,300 for 2011 and 2010, respectively.

4. Income Taxes

Income taxes amounted to a benefit of $88,491 in 2011 and an expense of $28,361 in 2010.

The components of income tax (benefit) expense are as follows:

	Current	Deferred	Total
2011			
Federal	$ (94,011)	$ 25,736	$ (68,275)
State	5,634	(25,850)	(20,216)
	$ (88,377)	$ (114)	$ (88,491)

	Current	Deferred	Total
2010			
Federal	$ (231,642)	$ 255,203	$ 23,561
State	39,340	(34,540)	4,800
	$ (192,302)	$ 220,663	$ 28,361

The income tax (benefit) expense is allocated as follows:

	2011	2010
Operating (loss) income	$ **(85,955)**	$ 31,464
Other expense	**(2,536)**	(3,103)
	$ **(88,491)**	$ 28,361

The reconciliation of income taxes computed at the federal statutory tax rate to the income tax (benefit) expense is as follows:

	2011		2010	
	Amount	**Percent**	Amount	Percent
Tax at federal statutory rate	$ **(69,735)**	**34.0 %**	$ 28,232	34.0 %
State income tax, net of federal tax benefit	**(13,343)**	**6.5**	3,168	3.8
Other - net	**(5,413)**	**2.6**	(3,039)	(3.6)
	$ **(88,491)**	**43.1** %	$ 28,361	34.2 %

The components of the deferred tax liability (asset) at December 31 are as follows:

	2011	2010
Temporary differences related to:		
Depreciation	$ **1,411,231**	$ 1,543,071
Allowance for funds used during construction	**27,792**	34,649
Accrued pension liability	**99,708**	(34,816)
Pension liability charged to other comprehensive income	**(1,158,571)**	(529,684)
Other	**(13,895)**	(17,954)
	$ **366,265**	$ 995,266

5. Related Party Transactions

Transactions with Parent

The Company participates in a consolidated cash management program with the Parent. Under this program, the Company routinely advances collected funds to the Parent. Advances to the Parent totaled $9,001,071 in 2011 and $9,737,196 in 2010. Charges and advances from the Parent for capital expenditures, operating expenses and dividends totaled $8,528,782 in 2011 and $9,226,635 in 2010. Included in amounts due from affiliates at December 31, 2011 and 2010, were net amounts due from Parent of $1,853,280 and $1,380,991, respectively. At December 31, 2011, management believes the Parent has sufficient availability of funds to support the Company's cash needs for the foreseeable future.

At December 31, 2011, the current portion of income taxes payable of $8,031 represents amounts payable to the Parent and at December 31, 2010, the current portion of income tax receivable of $111,318 represents amounts receivable from the Parent. The deferred income tax liability will increase amounts payable to the Parent in the future periods. The Company had income tax refunds, net of payments of $207,725 and $191,591 during 2011 and 2010, respectively, substantially all of which were received from the Parent.

Management expects to declare dividends, as needed, in support of the on-going debt service requirements of the Parent.

Data Processing, Billing and Collections Services

The Company purchases data processing services from Granite State Telephone Service Corporation (Service Corporation). Total data processing expense for 2011 and 2010 was $686,056 and $704,502, respectively. The rates charged to the Company by Service Corporation are generally comparable to rates charged to unrelated Service Corporation customers.

The Company entered into a billing and collections agreement with Granite State Long Distance, Inc. (GSLD) whereby the Company purchases, with recourse, the accounts receivable of GSLD and receives a billing and collections fee. Total accounts receivable purchased by the Company from GSLD and related billing and collections revenue recognized were $2,395,498 and $101,451, respectively, for 2011 and $2,333,002 and $113,308, respectively, for 2010.

The Company charges GSLD an access fee for use of its telephone facilities. The total telephone access revenue charged to GSLD during 2011 and 2010 was $172,740 and $185,137, respectively. The Company also charges an access fee to GSLD for use of its internet circuits. Total revenues charged to GSLD for internet circuits for 2011 and 2010 were $367,927 and $367,773, respectively. Rates charged for the preceding services are comparable to rates charged to unrelated customers.

Leases

The Company leases certain vehicles, land and equipment from Service Corporation. These cancelable leases are accounted for as operating leases. During 2011 and 2010, approximately $68,891 and $76,252, respectively, was paid to Service Corporation under these lease agreements.

In October 1996, the Company entered into a lease agreement for an additional office facility with CAK Realty, Inc. (CAK). This lease is accounted for as an operating lease and, in 2006, was renewed for an additional five-year term at a base rent adjusted for inflation. During 2011 and 2010, rent expense, including other related fees, totaling approximately $107,226 and $105,723, respectively, was paid to CAK under the terms of the lease agreement. Minimum future base rent payments under the noncancelable operating lease with CAK are approximately $99,600 for 2012.

Service Corporation, GSLD and CAK are wholly-owned subsidiaries of the Parent.

6. Contingencies

The Company is involved in various legal proceedings incidental to the conduct of its normal business operations. In the opinion of management, these proceedings will not have a material adverse impact on the financial condition of the Company as of December 31, 2011. The impact on future operations cannot be estimated.

7. FCC Regulatory Developments

In October 2011, the FCC approved an Order on Intercarrier Compensation and Universal Service Fund (USF) reform and announced the issuance of a Further Notice of Proposed Rulemaking (FNPRM) on long-term USF reform and transition timing. While the impact of the reform on the Company's operations may be significant, management is not able to quantify the amount as transition timing and FNPRM have not been finalized.